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Improving the financial situation of the United Nations

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Report of the Secretary-General

Addendum

Summary

The present report reviews the Organization's financial situation as at 31 December 2011 and 7 May 2012 and provides an update to the information presented in the previous report of the Secretary-General (A/66/521).

The report focuses primarily on four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

At 31 December 2011, the cash situation had improved in most areas, although unpaid assessments were higher in several categories than at the end of 2010. There was also some improvement in the level of debt to Member States.

At 7 May 2012, the financial position of the Organization reflected further progress, with increases in the number of Member States meeting their obligations in full and decreases in unpaid assessments compared to 2011 across all categories. However, several peacekeeping operations continue to be affected by cash shortages, which have an impact on the timing of payments to troop-contributing countries. Despite the overall improvement noted in 2012, the final outcome will largely depend on Member States meeting their financial obligations to the Organization in full during the remainder of the year.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/66/521). It also provides a review of the Organization's financial situation as at 31 December 2011 and updated projections based on information as at 7 May 2012.

2. In the present report the financial situation of the United Nations is considered on the basis of the four main financial indicators that have traditionally been used to measure the strength of the Organization, namely, assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation as at 31 December 2011

3. The review of the financial position of the Organization at 31 December 2011 shows that the level of assessments for the regular budget had increased to $2,415 million from the amount of $2,166 million at 31 December 2010. The assessments for the international tribunals had also increased, from $256 million at 31 December 2010 to $286 million at 31 December 2011. The assessments for peacekeeping operations, on the other hand, had decreased from $9,671 million at 31 December 2010 to $8,651 million, while the assessment level for the capital master plan had remained unchanged at $341 million. Unpaid assessments at 31 December 2011 were higher than the year before for the regular budget, peacekeeping operations and the capital master plan, while unpaid assessments for the international tribunals remained at the same level.

4. The cash situation had improved in most areas, and there had also been some improvement in the level of debt to Member States, although it was lower than anticipated at the time of the financial situation presented in October 2011.

A. Regular budget

5. Assessments and payments to the regular budget were both higher in 2011 than in 2010, by $249 million and $162 million, respectively. Unpaid assessed contributions were also higher by $103 million, at $454 million, on 31 December 2011, compared to $351 million on 31 December 2010.

6. A total of 143 Member States had paid their regular budget assessments in full by the end of 2011, exceeding the previous year's number by five. The Secretary-General therefore wishes to thank the Member States that had honoured their obligations to the regular budget in full at 31 December 2011 and urges all other Member States to pay their assessed contributions in full as soon as possible.

7. The unpaid assessments of $454 million at 31 December 2011 are notably lower than the $867 million outstanding reported at 5 October 2011. This amount continued to be concentrated, however, 95 per cent being owed by four Member States and 5 per cent relating to the remaining 45 Member States.

8. By 7 May 2012, a total of 92 Member States had paid their assessments to the regular budget in full, exceeding the number that had paid by 10 May 2011, the cut-off date for that year's review, by six.

9. New assessments for 2012 of $2.4 billion, together with the unpaid balance of $454 million at 31 December 2011, resulted in total assessments payable of $2.9 billion. Against this, payments of $1.7 billion were received by 7 May 2012, reducing the outstanding amount to $1.2 billion. This amount is still concentrated, eight Member States accounting for 95 per cent of the total. Of this, $171 million was received from one Member State after the cut-off date of 7 May 2012. The final outcome for 2012 will depend in large measure on action to be taken by these particular Member States.

10. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid, the Working Capital Fund, to which advances are authorized periodically by the General Assembly, and the Special Account. At the end of 2011, $94 million of cash was available for the regular budget. As at 7 May 2012, that amount stood at $819 million, with another $407 million in the related reserve accounts (the Working Capital Fund and the Special Account). The significant change for the regular budget was due to receipt of contributions at the beginning of the year against which expenditures would be incurred throughout the year. At this stage, it is projected that the regular budget will end the year with a positive cash balance. The final position for 2012 will depend in large measure on the action taken by the eight Member States mentioned in paragraph 9 above.

B. Peacekeeping operations

11. The unpredictable nature of the demand for peacekeeping activities makes it difficult to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently be issued only until the end of the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. A comparison between the financial situation of peacekeeping operations and that of the regular budget and the international tribunals is complicated by all of those factors.

12. The total amount outstanding for peacekeeping operations at the end of 2011 was $2.6 billion, reflecting an increase of $164 million from the amount of $2.5 billion outstanding at the end of 2010. When compared to the outstanding $3.3 billion at 5 October 2011, there had been a reduction in the outstanding assessments, possibly reflecting the effect of differing payment cycles of Member States. However, the bulk of the $2.6 billion outstanding at the end of 2011 (approximately 80 per cent) continued to be owed by nine Member States.

13. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. The Secretary-General wishes to give special thanks to the 29 Member States that had paid all peacekeeping assessments that were due and payable at 31 December 2011: Armenia, Australia, Belize, Burkina Faso, Canada, Denmark, Estonia, Finland, Georgia, Germany, Iceland, Ireland, Jordan, Kazakhstan, Latvia, Monaco, Netherlands, New Zealand, Niger, Norway, Poland, Republic of Moldova, Saint

Kitts and Nevis, Singapore, Solomon Islands, South Africa, Sweden, Thailand and United Republic of Tanzania. The number of Member States that paid their peacekeeping assessments in full at the end of 2011 is two more than at the end of 2010.

14. Although the cash available for peacekeeping at the end of 2011 was approximately $3.8 billion, it was divided among the separate accounts maintained for each peacekeeping operation and there are restrictions on the use of this cash. In its resolutions on the financing of peacekeeping operations, the General Assembly specified that no peacekeeping mission shall be financed by borrowing from other active peacekeeping missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and expansions of existing operations. Of the total cash available in peacekeeping accounts at the end of 2011, $3,398 million related to active missions, $238 million to closed missions and the balance of $140 million to the Peacekeeping Reserve Fund.

15. The financial position of peacekeeping operations at 7 May 2012 shows significant improvement. New assessments of over $1.2 billion had been issued by that date. Against this, double the amount, namely $2.4 billion, was received as contributions, thereby reducing the amount outstanding from $2.6 billion to $1.4 billion. Of the total owed for peacekeeping operations as at 7 May 2012, 79 per cent relates to seven Member States.

16. The Secretary-General wishes to pay special tribute to the 37 Member States that had paid all peacekeeping assessments that were due and payable on 7 May 2012: Australia, Austria, Belize, Burkina Faso, Canada, Denmark, Eritrea, Estonia, Finland, Germany, Hungary, Iceland, India, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Latvia, Luxembourg, Malawi, Monaco, Netherlands, New Zealand, Nicaragua, Niger, Norway, Republic of Moldova, Russian Federation, Singapore, South Africa, Sweden, Switzerland, Tajikistan, Thailand and United Republic of Tanzania. The number of Member States that paid their peacekeeping assessments in full by 7 May 2012 is six more than on 10 May 2011.

17. On the basis of the currently available information, the total cash in the peacekeeping accounts at the end of 2012 is expected to amount to over $3 billion, with $2.6 billion in the accounts of active missions, $279 million in the accounts of closed missions and $139 million in the Peacekeeping Reserve Fund. These estimates are based on projected receipts and disbursements, as well as the reclassification of the United Nations Mission in the Central African Republic and Chad from an active to a closed mission.

18. Regarding debt to Member States, the amount owed for troops, formed police units and contingent-owned equipment at 31 December 2011 was $529 million, reflecting a decrease from the $539 million owed at the start of the year. New obligations are projected to increase in 2012 compared to 2011. Consequently, by the end of 2012, it is projected that debt to Member States will increase to $678 million. This is based on projected new obligations of $2.1 billion and projected payments of $1.9 billion. As at 7 May 2012, the amount owed was $774 million, of which 50 per cent is owed to eight Member States (Bangladesh, Egypt, Ethiopia, India, Nigeria, Pakistan, South Africa and United States of America).

19. Payments for troops and formed police unit costs are current up to January/February 2012 for all active missions, except for the United Nations Mission for the

Referendum in Western Sahara (MINURSO) and the United Nations Integrated Mission in Timor-Leste (UNMIT), owing to insufficient cash levels for those missions. Payments for contingent-owned equipment are current up to December 2011 for all active missions, except for MINURSO, the United Nations Peacekeeping Force in Cyprus, UNMIT and the United Nations Operation in Côte d'Ivoire, owing also to insufficient cash levels for those missions. Projected payments for 2012 are dependent upon timely finalization of the memorandums of understanding. At 7 May 2012, out of 326 memorandums of understanding for all peacekeeping missions, 31 (9.5 per cent) had yet to be finalized. Naturally, the actual level of payments will also depend on Member States meeting their financial obligations to the United Nations.

C. International tribunals

20. The financial position of the International Tribunals for Rwanda and the Former Yugoslavia in 2011 remained unchanged at the end of 2011, the $27 million outstanding matching the amount at the end of 2010.

21. The unpaid assessment of $27 million at the end of 2011 was noticeably lower than the unpaid amount of $56 million reported at 5 October 2011; however its composition continued to be highly concentrated, with four Member States accounting for 70 per cent of the total.

22. A total of 105 Member States had paid their assessed contributions for both international tribunals in full by the end of 2011, seven more than at the end of 2010. The Secretary-General wishes to express his appreciation to those 105 Member States that had paid their assessed contributions in full by 31 December 2011 and urges other Member States to follow their example.

23. The financial situation of the international tribunals has improved in 2012. At 7 May 2012, outstanding assessments were $84 million, reflecting lower levels than the amount of $133 million at 10 May 2011. By 7 May 2012, 64 Member States had paid their assessed contributions to both tribunals and the International Residual Mechanism for Criminal Tribunals in full, three more than at 10 May 2011. Current projections indicate that the tribunals should end the year with positive cash balances, almost matching the actual cash balances at the end of 2011. Once again, however, the actual outcome of 2012 depends on Member States continuing to honour their financial obligations to the tribunals.

D. Capital master plan

24. By its resolution 57/292 of 20 December 2002, the General Assembly decided that a special account should be established for the capital master plan. Since then, assessments were issued under the special account until the end of 2011, in accordance with the approved financial arrangements.

25. As at 7 May 2012, 188 Member States have made payments which totalled $1.86 billion, with $8 million currently outstanding. Of this number, 142 Member States have paid in full, while another 46 Member States have made partial payments. Regrettably, four Member States have not yet made any payments to the capital master plan.

26. In addition to the cost of the project, the General Assembly approved the establishment of a working capital reserve of $45 million. As at 7 May 2012, 183 Member States have already made payments to almost fully fund the reserve, leaving a balance due of $8,785.

III. Conclusions

27. The financial situation at the end of 2011 showed improvement in some areas despite the global financial climate. Although unpaid assessments were higher in several categories compared to the levels at the end of 2010, the number of Member States meeting their obligations in full had increased in all categories and the cash situation was better in most areas. In addition, the level of debt to Member States was also slightly lower than the previous year.

28. There have been further encouraging signs of progress in the financial position of the Organization in 2012. The latest situation reflects the continued emphasis on improving Member States' access to information on the status of contributions. As a result of the gains made in recent years, there has been a steady increase in the number of Member States demonstrating their commitment to the Organization by meeting their financial obligations in full at the time of the presentation of the financial situation.

29. Consequently, at 7 May 2012, unpaid assessments were below the levels of one year previously across all categories, resulting in a total decrease of over $600 million. Despite this improvement, some peacekeeping operations continue to be affected by cash shortages, which also have an impact on the timing of payments to troop-contributing countries.

30. The Secretary-General wishes to pay a special tribute to the Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 11 May 2012: Australia, Austria, Belize, Burkina Faso, Canada, Denmark, Eritrea, Estonia, Finland, Germany, Hungary, Iceland, India, Ireland, Israel, Italy, Japan, Kuwait, Latvia, Liechtenstein, Luxembourg, Malawi, Monaco, Netherlands, New Zealand, Nicaragua, Niger, Norway, Republic of Moldova, Singapore, South Africa, Sweden, Switzerland, Tajikistan, Thailand and United Republic of Tanzania. Payments received since then result in the addition of Lesotho to the list of Member States that have paid in full all assessments due and payable. Other Member States are urged to follow the example of those countries.

31. As always, the financial health of the Organization depends on Member States meeting their financial obligations in full and on time.